

Message Text

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PAGE 01 STATE 020918
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S/P:JKALICKI (DRAFT)
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P:DTICE (SUBS)
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FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA NIACT IMMEDIATE

S E C R E T STATE 020918

NODIS

E.O. 11652: GDS

TA :ENRG, PARM GW, BR

SUBJECT: US-BRAZIL NUCLEAR RELATIONSHIP

FOR AMBASSADOR

REF: BRASILIA 741

1. YOUR THOUGHTS HAVE BEEN A USEFUL CONTRIBUTION TO
CURRENT INTENSIVE SEARCH FOR WAYS TO APPROACH THE ENRICHMENT/
-REPROCESSING PROBLEM. WE NOTE THAT REFTEL EXPLICITLY
REFRAINED FROM MORE SPECIFIC SUGGESTIONS FOR PROPOSALS TO
GOB, BUT WOULD LIKE TO ENCOURAGE YOU TO SUBMIT THEM. WE
WOULD ALSO WELCOME YOUR REACTION TO IDEAS CURRENTLY ONLY
SECRET

SECRET

PAGE 02 STATE 020918

UNDER INTERNAL CONSIDERATION HERE, WITH NO OFFICIAL STATUS.

2. ESSENTIALLY, WHAT WE ARE SEEKING IS BRAZILIAN AND FRG
AGREEMENT TO DEFER INDEFINITELY THE SENSITIVE ENRICHMENT/
REPROCESSING PROJECTS, IN RETURN FOR A GUARANTEE OF LONG
TERM FUEL SUPPLY FOR THE CONTRACTED GERMAN REACTORS. WE
ASSUME THAT THIS GUARANTEE WILL BE MORE CREDIBLE AND

ACCEPTABLE TO THE GOB IF IT COMES FROM A COMBINATION OF ENRICHMENT SUPPLIERS, RATHER THAN FROM THE US ALONE. AS FURTHER INDUCEMENT TO COOPERATION, WE WILL SEEK TO SHOW RESPONSIVENESS IN AREAS BEYOND FUEL AVAILABILITY

3. POSSIBLE OFFERS WHICH MIGHT BE MADE TO BRAZIL IF THEY CAN BE WORKED OUT HERE:

A) THE U.S. COULD CONSIDER JOINING OTHERS, TO THE EXTENT NECESSARY, IN ASSURING ENRICHED FUEL SUPPLY FOR THE GERMAN-SUPPLIED REACTORS (I.E. TO GUARANTEE A COVER FOR THE SHORT-FALL BETWEEN SOURCES PRESENTLY AVAILABLE TO FRG (INCLUDING URENCO) AND THE CONTRACTURAL ARRANGEMENTS WITH BRAZIL.)

B) THE U.S. COULD CONSIDER EXPLORING WITH THE GOB ITS INTEREST IN INVESTING IN EUROPEAN ENRICHMENT FACILITIES -- IF SUCH A PACKAGE COULD BE PUT TOGETHER ; THE GOB'S RETURN ON ITS INVESTMENT WOULD INCLUDE ASSURED FUEL SUPPLIES.

C) THE U.S. COULD CONSIDER WAYS OF FACILITATING THE FINANCING OF BRAZILIAN PURCHASES OF THE GERMAN NUCLEAR REACTORS AND FUEL. (E.G. COMPENSATORY OR OFFSETTING EXIM FINANCING OF OTHER PROJECTS; ASSISTANCE IN FLOATING GOB BOND ISSUES IN U.S.)

D) THE U.S. COULD SEEK WAYS TO UPGRADE THE MUTUAL EXPLORATION OF COOPERATION IN THE FIELD OF NON-NUCLEAR, NON-CONVENTIONAL ENERGY RESOURCES.

SECRET

SECRET

PAGE 03 STATE 020918

4. PARALLEL TO ABOVE APPROACH TO BRAZIL, THERE COULD BE ASSURANCES TO FRG THAT WE WOULD NOT TRY TO INTERFERE WITH OR PREEMPT ITS REACTOR SALES UNDER EXISTING AGREEMENT. WE COULD ALSO ATTEMPT TO OBTAIN FROM THE FRENCH AGREEMENT NOT TO MOVE IN ON GERMAN REACTOR SALES IF GOB SHOULD TURN TO FRANCE IN REACTION TO FRG MOVES TO WITHHOLD SENSITIVE TECHNOLOGY. WE MIGHT ALSO SEEK FRENCH PARTICIPATION IN THE MULTIPARTITE GUARANTEE OF THE GERMAN FUEL SHORTFALL.

5. OBVIOUSLY, FIRM AND SPECIFIC PROPOSALS ALONG ANY OF THESE LINES WOULD REQUIRE FURTHER STUDY -- NOW UNDERWAY -- WITHIN THE USG. IN LINE WITH THE MORE GENERAL OBSERVATIONS OF EMBASSY'S CABLE, ONE OR MORE OF THE ABOVE PROPOSALS, AS REFINED, WOULD BE MADE AGAINST A GENERAL BACKDROP OF RENEWED ASSURANCES THAT:
-- WE WILL CONSULT WITH BRAZIL ON AN EQUAL BASIS WITH THE FRG (AND OUR TIMING AND SCENARIOS WOULD BEAR THIS OUT);
-- OUR NONPROLIFERATION CONCERNS ARE GLOBAL RATHER

THAN TARGETTED AT BRAZIL, AND OUR EFFORTS TO BLOCK THE
SPREAD OF SENSITIVE TECHNOLOGIES ARE NONDISCRIMINATORY.

6. WE WOULD WELCOME YOUR COMMENTS AND SUGGESTIONS ON THE
ABOVE,(PLUS ANY OTHER THOUGHTS YOU MAY HAVE DEVELOPED).

TO BE OF MAXIMUM UTILITY, YOUR RESPONSE SHOULD BE ON HAND
BY MONDAY OR TUESDAY.

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Message Attributes

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